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ABSTRACT

The first of the four papers in this symposium, "Human Resource Development's Contribution to Strategic Service Quality Performance in Radisson Hotels Worldwide" (Richard A. Swanson, Julie M. Hays, Arthur V. Hill, George John, David W. Johnson, Susan Geurs), illustrates the strategic alignment and contribution of HRD (human resource development) to service quality through improvement in performance measures in 29 hotels testing a performance improvement program that included a primary HRD component. "Mastering Turbulent Growth: A Growth Audit at a Major Pharmaceutical Research Center" (Michael Leimbach, Meredith Ceh) presents a model for conceptualizing the nature of organizational growth and provides a case example of how this framework was applied as a diagnostic tool within a major pharmaceutical research center, with results that clarified the human resource implications of the organization's growth strategy. "A Study of the Role of HRD in Response to External Environmental Change in Public Service Organizations" (Kenneth R. Bartlett) explores the role of HRD in response to external environmental change as a component of strategic human resource management planning, with results showing a high level of support for HRD activities highlighting the need for HRD researchers to concentrate efforts on developing frameworks that are of equal applicability in large and small private and public agencies. "Operationalizing Alignment: Testing Alignment Theory" (Steve W. Semler) presents a theory-based operational definition of organizational alignment for research; it includes an operationalization of the alignment construct and a description of an alignment measurement instrument. (KC)

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13 - 1 Human Resource Development's Contribution to Strategic Service Quality Performance in Radisson Hotels Worldwide

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13 - 2 Mastering Turbulent Growth: A Growth Audit at a Major Pharmaceutical Research Center

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13 - 4 Operationalizing Alignment: Testing Alignment Theory

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Human Resource Development's Contribution to Strategic Service Quality Performance in Radisson Hotels Worldwide

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This partnership study between the University of Minnesota and Radisson Hotels Worldwide illustrates the strategic alignment and contribution of HRD to service quality. In this case study twenty-nine Radisson Hotels Worldwide tested a service guarantee performance improvement program that included a primary HRD component throughout. In just three months, many of Radisson's service quality performance measures in these hotels improved significantly.

Keywords: Service Quality, Hotel Industry

Human Resource Development (HRD) has been defined "... as a process for developing and unleashing human expertise through organization development and personnel training and development for the purpose of improving performance at the organization, work process, group, and individual levels." (Swanson & Holton, 1999). In addition, HRD is thought to have three potential strategic roles (Torraco & Swanson, 1995).

- HRD being Performanced-Based
- HRD having Strategic Capability
- HRD contributing to Emergent Strategy

The strategic performance challenge to HRD is its connection to the existing or emerging strategy of an organization. This case study reports the strategic connection and contribution of HRD to service quality performance in a major hotel chain. The central idea was to (1) explore the concept of a service guarantee and to establish such a guarantee for customers and (2) to prepare managers and staff with the organizational service learning (knowledge and expertise) required to implementing the strategic initiative.

The paper begins with a description of the theoretical framework of service guarantees followed by the case study framework and problem statement. The next section presents the methodology of the study followed by the results and conclusions.

The Service Guarantees Concept

Hart (1988, 1993), Hill (1995) and others (Haskett, et.al.) have argued persuasively that service guarantees can help many firms to position themselves in the market by clearly defining their value proposition to customers and employees. Service guarantees also "stress" front-line workers to deliver high-quality service the first time, encourage customers to voice their complaints to the firm, and motivate and enable workers to quickly discover and recover dissatisfied customers.

Hays and Hill (in-press) developed a model (Figure 1) to show how service guarantees affect service quality and, ultimately, business performance. In this model, they argue that a strong service guarantee improves customer satisfaction, service quality, and customer loyalty (SQL) through three intervening variables: Marketing Communications Impact, Employee Motivation and Vision, and Organizational Service Learning. These are defined in the following paragraphs.

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Marketing Communications Impact

(MCI) –A strong service guarantee is intended to have both offensive and defensive marketing impact. Offensively, firms can use a service guarantee to proclaim the reliability of their high quality service and thus attract new customers. Defensively, a service guarantee not only enables companies to recover unsatisfied customers but also encourages dissatisfied customers to complain, thus allowing the firm to recover those customers.

Employee Motivation and Vision (EMV)

A strong service guarantee was intended to motivate employees to fulfill the guarantee and to satisfy customers. The guarantee clearly defines the employee's job as satisfying customers – not just taking reservations, checking out customers, or cleaning rooms. It can also inspire a new vision for service quality when employees are challenged to really satisfy customers' true needs.

Organizational Service Learning

(OSL) – A strong service guarantee can help organizations discover dissatisfied customers and learn from them in order to improve service quality. Organizations with a strong service guarantee will tend learn how to satisfy customers faster than organizations without one.

When marketing communications impact (MCI), employee motivation and vision (EMV), and organizational service learning (OSL) are improved, then service quality, customer satisfaction, and customer loyalty (SQL) should also improve. Business performance (BP) will improve as a result of improved SQL.

Figure 1. Service guarantees and business performance

Case Study Framework and Problem Statement

Carlson Companies, Inc. is one of America's largest privately owned corporations with total system sales of $13.4 billion in 1996 and $20 billion in 1997. Carlson Companies employs about 130,000 people worldwide, including those who work in franchised and managed operations.

Radisson Hotels Worldwide and its parent, Carlson Hospitality Worldwide, include more than 500 lodging locations in 49 countries. Under the leadership of its former president, Radisson's strategy focused on growth and the firm added hotels at the rate of about one hotel every seven days. By 1997, Radisson's "growth at any cost" strategy left Radisson with a significant diversity in hotel quality and an "unfocused" brand image. Alignment with hotel owners (more than hotel guests) also seemed to cause Radisson's customer service and hotel management expertise to atrophy.

In 1997 and 1998, Radisoon took several initiatives to drive the organization towards becoming a more customer-focused brand. In their words, they "re-discovered that their primary customers should be the guests -- not

the owners." Some of these initiatives included a service guarantee human resource development program, a guest satisfaction measurement program, an employee satisfaction measurement program, and an information technology initiative. Radisson was committed to creating the systems and programs that would bring Radisson into the 21-st century as a "customer-driven learning organization." Their goal was to make Radisson the "most trusted and respected brand worldwide." They were hopeful that these initiatives would make a significant contribution to helping Radisson achieve these goals.

This paper focuses on the question of results from a service guarantee initiative having policy and HRD components, the strategic service quality performance metrics that support the implementation, and evaluation of that initiative, and a resulting measures of performance drivers.

The Service Guarantee Design

Hart's 1993 book prescribes an "unconditional satisfaction" guarantee where the firm responds to any and all service failures with some sort of immediate compensation. In focus groups conducted by Radisson, customers found it uncomfortable to receive a full refund for a minor complaint; giving away room-nights too freely actually discouraged customers from voicing their complaints. Radisson's management team decided that a more appropriate guarantee would be a two-step guarantee that allowed Radisson to "make it right" before the hotel offered the customer a full refund. Focus groups confirmed that this was a good balance between encouraging customers to voice their complaints and assuring customers that their complaints would be taken seriously.

In this case study twenty-nine Radisson Hotels Worldwide tested a service guarantee performance improvement program. The pilot hotels implemented the guarantee with a complete HRD program but with no publicity. The guarantee read simply:

If you aren't satisfied with something, please let us know and we'll make it right or you won't pay.

Service Quality Performance Metrics

Four service quality performance driver metrics were used in this case study (see Holton, 1999 and Swanson & Holton, 1999):

- *Willingness to return* -- percent of customers who indicate that they are willing to return.
- *Percent advocates* -- percent of customers who indicate a willingness to recommend Radisson Hotels to others.
- *Percent defectors* -- percent of customers who indicate that they are unwilling to return.
- *Percent complaints* -- ratio of complaints to room nights.

Information systems, under the leadership of Radisson's Vice President of Knowledge Resources produces a "dashboard" for each hotel that includes these as well as financial measures. The one-page dashboard is essentially a "balanced scorecard"[i] for each hotel. These measures are often supplemented with *ad hoc* marketing research.

HRD Contribution

HRD in the forms of employee training and involvement were key aspects of the service guarantee program at Radisson. A comprehensive training program, complete with training manuals and videotapes, was developed to support the guarantee program. Radisson managers and employees were required to participate in the training program before the hotel could implement the guarantee program. An involvement program before, during and after the training consisted of regular communication and employee input sessions.

The involvement included systematic and regular communication through management memos, employee newsletters, and face-to-face meetings as well as substantial opportunities to suggest changes and actually modify the program rollout strategies and supporting materials.

Training programs first involved the certification of 29 top managers to serve as trainers of key site personnel. The connection of managers-to-managers in the learning (and ultimate networking process) was essential is backing up the general concept with the knowledge and expertise required to execute the service guarantee. The training design was highly interactive and supporting materials in the forms of videotapes and simulations played important parts in supporting the managers-turn-trainers.

Methodology

In order to test the "100% Guest Satisfaction Program," Radisson selected twenty-nine hotels for a "pilot" test of the 100% Guest Satisfaction Program. These hotels represented a wide variety of hotel types, locations, and sizes.

The impact of the service guarantee was measured using three approaches: (1) Radisson's internal data from room comment cards to measure the service quality metrics discussed above, (2) a customer survey conducted by a market research firm, and (3) a University of Minnesota study of employee motivation.

A team of researchers from the University of Minnesota developed a survey instrument based on the EMV and OSL theory in Figure 1 and administered it to both managers and front-desk workers in each of the twenty-nine pilot hotels. Table 1 presents the items (questions) that made up the survey. The actual survey randomized the questions. Respondents were asked to score each item on a 7-point "agree-disagree" scale.

Of the twenty-nine hotels in the pilot study, four were excluded from the survey data analysis because they were not in the United States or Canada. Two additional hotels were excluded because service quality performance data were not available. With Radisson's help, the survey had a 100% high response rate for the twenty-four remaining hotels in the sample.

The researchers administered a survey to both management and front-desk hotel employees before and after the service guarantee policy and employee training was implemented in the test hotels. The survey found statistically significant correlation between a new service quality metric called "employee motivation and vision" (EMV) and Radisson's service quality performance metrics.

Results

The average change for each variable is also shown in Table 1. The "before" data was taken at the start of the program and approximately six months "after." Fourteen of the sixteen variables showed improvement. The improvements marked with an asterisk (*) had statistically significant improvement. Five of Employee Motivation and Vision (EMV) items showed significant improvement with the service guarantee program. Two of the OSL-Discovery variables improved significantly. However, none of the OSL-Data or OSL-Improvement items was statistically better. It may be possible that OSL variables lag EMV variables and, therefore, OSL improvements were not detected in the study.

Service Quality Performance Metrics

A study of Radisson's four service quality performance metrics found that the willingness to return increased, percent advocates increased, and percent defectors decreased; The percent complaints increased significantly during the first four months of the pilot program. Management concluded that the service guarantee encouraged dissatisfied customers to voice their complaints, and viewed this as a positive result.

A more sophisticated statistical analysis found a statistically significant relationship between the sum of the EMV scores, the sum of the OSL scores, and the percent advocates metric. In other words, customer satisfaction (measured by percent advocates) is strongly affected to employee motivation and vision (EMV) and the firm's ability to learn from its customers (OSL) as measured by the survey instrument.

Conclusions

While many scholars and practitioners might view a service guarantee program as only a marketing strategy, this study approached this performance improvement effort as a more fundamental system change. In this case the conclusion was that a service guarantee program that holistically thinks about customers, mission, policies, and the people that must ultimately understand and carry out the new approach can significantly shape the operations strategy of a firm as well. Radisson's service guarantee, *implemented with sound HRD theories and practices*, had a positive influence on the motivation and vision of employees, their knowledge and expertise, and increased service quality and customer satisfaction.

A service guarantee program can also provide the impetus for a firm to focus operations on the attainment of superior service quality through learning from service failures. In this case, the service guarantee and HRD's contribution were viewed as both strategic and a sound financial investment.

In just three months, many of Radisson's service quality performance measures in these hotels improved significantly. Customer satisfaction, measured by Radisson's own metrics and by a market research firm, showed increased "willingness to return" and "percent advocating the hotel." Radisson also found that the guarantee decreased employee turnover, increased utilization, and increased profitability for the hotels where service guarantee program was pilot tested

With respect to strategic performance measurement, this paper illustrates an interesting application of strategic quality measures. The paper also provides evidence that the survey instrument can be used as a service quality *performance driver metric* (see Swanson & Holton, 1999) to measure employee motivation and vision construct (EMV) and organizational service learning (OSL).

Table 1. Employee Survey Results

Construct	Question	Average improvement
EMV Motivation		
	1. Our employees always make customer satisfaction their top goal.	.121
	2. Our employees go out of their way to listen when customers complain.	.210*
	3. Our employees try very hard to fix customer problems when they know about them.	-.026
	4. Our employees feel a strong sense of accountability and ownership for service quality.	.236*
	5. Customer satisfaction is an extremely important part of my job.	.117*
EMV - Vision		
	1. Our service quality priorities are always clear to our employees.	.342*
	2. Our employees have a clear understanding of the role that service quality plays in helping our company compete in our market.	.107
	3. We have very well defined standards for service quality.	.269*
OSL - Discovery		
	1. When a service problem occurs, we are almost always aware of the problem.	.291*
	2. Our employees are very aware of customer complaints and why they occur.	-.006
	3. Customers with a service problem almost always complain to us.	.345*
OSL - Data		
	1. We have accurate information on how many complaints we receive.	.167
	2. We have accurate information on why our customers complain.	.076
	3. Information on customer satisfaction trends is communicated to all of our employees.	.212
OSL - Improvement		
	1. Collecting customer feedback helps us to regularly improve our service quality.	.064
	2. We have improved our service quality over the past year based on customer complaint information.	.009

* *Statistically significant at the .10 level of significance.*

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Mastering Turbulent Growth: A Growth Audit at a Major Pharmaceutical Research Center

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The failure of organizational growth initiatives has been linked to the inability of organizations to adequately address the HRD implications of strategic growth. In this study we present a model for conceptualizing the nature of organizational growth and provide a case example of how this framework was applied as a diagnostic tool within a major pharmaceutical research center. Results showed that the model revealed and clarified the human resource implications of the organization's growth strategy. Further, the results of the case study validated outcomes anticipated by the model, specifically, growth pattern recognition and causal mapping of growth.

Keywords: HRD, Strategy, Audit

Radical, disruptive, and innovative growth is not just a compelling aspiration for organizations, it is a requirement. Increasing options available to stakeholders, decreasing switching costs, and heightened expectations of investors, customers, suppliers, and employees all combine to make growth an imperative. However, accompanying the growth imperative is the growth conundrum. The process of growth that many organizations follow is filled with contradiction, inconsistency, and paradox. While companies may take actions *inconsistent* with their growth goals and still be successful, others may take actions *consistent* with their growth objectives and suffer disastrous losses.

Imbedded within this is the fact that the vast majority of growth strategies fail. Many point to the lack of attention to the human factors. And, while there is significant evidence that attention to human resource development issues is critical to successful growth, there is a dearth of models to effectively describe this relationship. The purpose of this research is to develop a model for linking growth strategy to HRD. This model is designed to help organizations understand the impact of HRD on their ability to implement growth strategies. We then tested the model as a tool for diagnosing HR supports and barriers to growth and for developing action agendas.

Review of Literature

Organizational Growth Strategies

For most organizations, radical growth has become a requirement, or as stated by Druckman, Singer, and Van Cott (1997) "Organizations today must function and attempt to flourish under conditions that are complex, rapidly changing and in some respects unprecedented. Voluntary mergers and joint ventures, hostile takeovers and poison-pill resistance to them, conglomerations and divestitures have created an organizational environment of prolonged turbulence." This requirement has been driven by many forces. Investors are increasingly requiring greater returns, evidenced by the radical jump in P/E ratios of stocks today with some carrying unprecedented P/E ratios of over 200. Employee requirements are also driving radical growth. Low unemployment, especially in technology fields, are driving organizations to offer increasing compensation and opportunities (Worth, 1998). For example, a recent study shows that additional compensation in the form of equity ownership has radically increased over the past decade, from less than 2% to more than 8% of total US corporate equity (National Center for Employee Ownership, 1998). Customer demands are also driving radical growth. The volatility of the organization's customer base increases pressure to continually enhance the options, features, and benefits to customers through product innovation and value added service (Bund-Jackson, 1985). Reichheld (1996) has shown that retention of customers is predictive of growth in market share and stock price.

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Despite this increase demand for radical growth, several studies have shown that a large proportion of organizational growth strategies has failed. For example, a McKinsey study (reported in Druckman, Singer, and Van Cott, 1997) suggests that 67 percent of large scale TQM efforts failed within two years. Similarly, a Rath and Strong survey (also reported in Druckman, et al, 1997) indicates that only 20 percent of organizational growth strategies achieve their objectives. The American Quality Foundation and Ernst and Young (Ernst and Young, 1992) reported that 95 percent of strategic initiatives studied failed to provide lasting value to the organization. Pare (1994) found that as many as half of all mergers and acquisitions are financial failures.

In all of the studies cited above, the most frequent cause noted for the failure has been the "people factor." Organizations are not paying enough attention to the complexity and extent of the transitions employees must endure to implement growth strategies. Organization's abilities to develop complicated strategies have outpaced their capabilities for implementing these strategies. For example, in a study of mergers and acquisitions within the pharmaceutical industry over the past 30 years, lack of attention to overlap in work responsibilities, incompatible corporate cultures, and lack of communication were associated with a decrease in market share for the combined firms (Economist, 1998a). Several studies have shown that when layoffs are not tied to a specific strategy companies experience a decrease in revenue and stock prices fall, (even when the stock goes up after the initial announcement (Lashbrook, 1997; McKinley, Sanchez, and Schick, 1995). While difficult to quantify, studies have also shown that failure to attend to organizational culture and values as a company grows will create a barrier to success (Druckman, 1997).

While there is strong evidence of a close link between organizational growth strategy and human resource development, there is a decisive lack of models to describe it. The organizational growth literature consists of a series of practices; re-engineering, TQM, strategic partnerships, mergers, acquisitions, downsizing, etc. What is lacking is a coherent model for examining the contribution of human capability to creating and implementing growth strategies. Or, as stated by Druckman, et al (1997) "There is even a lack of descriptive taxonomies to provide a framework to carry out the research." Therefore, The purpose of this research is two fold; one, to develop a preliminary framework for understanding the link between organizational growth strategies and human capabilities, and, second, to test the utility of this framework in an organizational setting. This second step is essential. To develop a model without presenting some test of its validity or utility does not, in these authors' opinion, further the advancement of the field in a meaningful way. While a test of the accuracy or validity of the model is most desirable, we have chosen to present a case study where the model was applied to help understand and address the human resource implications of a strategy to create exponential growth.

Growth Domains

There are multiple pathways to achieving growth. As a result, organizations are abandoning linear approaches that limit strategic options. Strategies that allow for a more holistic or scenario based approach are more appropriate for today's business environment (van der Heijden, 1996; Brandenburger and Malebuff, 1997). To this end, we examine the literature on organizational growth to identify the principle pathways, or domains in which growth occurs. Growth was defined multi-dimensionally; revenue, profitability, number of employees, market share, and stock price. We found four principle areas in which organizations focus resources to achieve growth. We called these: Marketplace, Network Enterprise, Organization, and Individual, constructed around four critical stakeholder classifications.

Marketplace. Achieving growth by focusing on customer requirements is a common concept. Identifying new markets or niches, expanding globally, and enhancing product to meet changing customer requirements are all elements of the Marketplace domain. Marketplace strategies are not effective for all organizations. For example, Ernst and Young (1992) found that strategic planning that focused on defining the companies value proposition, customer performance assessments, and market share and product quality audits are effective only for organizations trying to move from market performer to market leader.

Network Enterprise. Growth through strategic partnerships has become a wide spread practice in recent years. While mergers and acquisitions are historically common, strategic alliances, preferred vendor relations, and multi-enterprise collaborations are increasing in frequency. These relationships are being driven by global competition, scarcity of resources, and the need to share costs and risks (Fedor & Werther, 1995; Druckman, et al 1997). Successful collaborations are those with a clear purpose for the collaboration,

have compatible leadership styles and cultures, and create systems for effective reciprocity in information sharing (Sanker, Boulton, Davison, and Snyder, 1995; Oliver, 1990).

Organization. Creating growth through restructuring and the re-allocation of resources has been the focus of TQM and process-reengineering efforts for several years (Ernst and Young 1992; Hammer and Champy, 1993; Rummler and Brache, 1991). The investors or management (as a proxy for the owners) are the principle stakeholders connected to the Organization Domain. Growth in this domain has become more important with the increased role of technology in business. For example, research indicated that one of the greatest barriers to growth is the incompatibility between the technology professionals' requirement for autonomy and organizations' requirement for some kind of control mechanism (Huber, Miller, and Glick, 1990). Also related to the Organization Domain is the topic of culture and values. While its impact on organizational growth is difficult to quantify, it is widely accepted that failure to attend to cultural issues can create significant barriers to growth, and growth can be enhanced by the careful nurturing of a performance oriented culture (Schein, 1992; Druckman, et al 1997).

Individual. Finally, organizations will seek growth by building the capabilities of individuals within their workforce. While organizations have long been involved in enhancing skills through training and development, the notion of leveraging superior human or intellectual capital to gain competitive advantage is now being recognized. This is in part due to increases in knowledge work (Cleveland, 1985). As recently as 1960 half of the US workers were directly involved in the manufacture of tangible products. However, it is estimated that by 2000 no developed country is likely to have more than one-eight of its workforce so employed (Druckman et. al, 1997). The effectiveness with which organizations build new skills, involve employees in the growth process, and create an environment of commitment all have significant impact on an organization's ability to grow (Kotter, 1995, Reichheld, 1996).

Growth Dynamics

Organizational change and growth occur when organizational boundaries change (Druckman, et al 1977). While there is no universal formula for producing effective organizational change, there is a finite and consistent set of dynamics that organizations can use as tools to create and mold change within the four domains. We have classified these dynamics into three types: Permeability, Elasticity, and Momentum.

Permeability. Permeability represents the processes organizations utilize to support and control the exchange of inputs and outputs. The term permeability implies that effective growth is a process of selectivity. In other words, growing organizations must effectively consider and manage new ideas that enter, as well as the information and ideas that leave. An example of permeability within the marketplace domain is Gillette's strict control of the information flow prior to the release of a new product (Sella, 1998). Gillette uses secrecy to ensure a competitive advantage. Within the Enterprise Network domain, Permeability is manifested in the methods organizations use to screen prospective partners. Research has shown that organizations that collect information on critical elements of the partnership (i.e. compatibility of business interest, similarity of values/culture, compatibility of business processes, compatibility of reputations, resource complements) are more successful than those that focus only on the contractual relationships (Druckman et al, 1997). For the Organization Domain, development of the 1997 Corvette (Schefter, 1997) demonstrates how culture creates Permeability. Jim Perkins, General Manager of Chevrolet division at GM, created a stealth culture to continue work on a redesign of the Corvette at a time when GM management contemplated eliminating the line. Finally, within the Individual domain, Permeability is characterized by skill mobility. An organization's ability to retain critical skills and capabilities has a significant impact on its ability to grow Reichheld (1996).

Elasticity. Elasticity describes the methods and mechanisms that facilitate the actual shifting of boundaries. In the Marketplace domain this corresponds to the organization's specific value delivery approach. For example, Square-D corporation utilized internet technology to move themselves (and ultimately their industry) from one of *low-cost* standard circuit boxes to one of *rapid creation* of customized product by reducing cycle time on custom circuit boxes from 12 weeks to 1 week (Economist, 1998b). For the Network Enterprise domain, Elasticity represents the practices supporting the ongoing management of strategic partnerships (Druckman, 1997). Organization Elasticity represents the tools for process re-calabration (Hammer and Champy, 1993), while in the Individual Domain, Elasticity refers to a variety of human resource development capabilities.

Momentum. Momentum is created by centers of influence that support or hinder growth. Market identity is the Momentum of the Marketplace Domain. One of the best examples of this is the relationship

between Seymour Cray and Control Data Corporation (CDC) in the mid-1980s. CDC's market identity, mid-range computers, was not consistent with the developing idea of massive parallel processors (supercomputers) developed by Cray. Like the beginning of any movement, momentum begins as the first stakeholder generates excitement about an idea. Seymour Cray succeeded in creating this energy, but was forced to do so outside the boundaries of CDC, creating the identify of Cray Research and ultimately the industry of supercomputing. Momentum in the Enterprise Network domain is an organization's ability to leverage the combined resources of the alliance partners (Oliver, 1990). Creating the momentum of the investor community is the dynamic for the Organization Domain. Studies have shown that a loyal mass of investors is a significant factor in an organization's ability to secure resources for sustained growth (Reichheld, 1996). And in the Individual Domain, the ability to manage the change process and create alignment and commitment among the mass of employees, is a requirement of successful growth (Kotter,

The Growth Audit Model

Combining the Domains with the Growth Dynamics, you get a framework, or model, of the factors linking growth strategy with human resource requirements. Two additional variables contained in the Growth Audit model relate to the ability to define current and future boundaries (Landscape) and to address internal and external environmental conditions (Forces). These variables are derived from the scenario planning literature (e.g. Van der Heijden, 1996). While these factors are critical to measuring growth potential, they are not a focus of this research.

Figure 1
Growth Audit Model

	Marketplace	Enterprise Network	Organization	Individuals
Landscape				
Boundaries	Value Proposition	Extended Enterprise	Responsibility Centers	Role Fulfillment and Purpose
Horizon	Changing Customers	Potential Enterprise	Expected Value Structure	Redefining Loyalty
Forces				
Chaos	Market Changes	Communities of Interest	Cross-functional Collaboration	Emerging Roles
Competition	Market Leadership	Covenant Relationships	Resource Allocation	Options and Choices
Dynamics				
Permeability	Business Intelligence	Identifying Network Partners	Growth Culture	Skill Mobility
Elasticity	Value Delivery Approaches	Business Development	Business Process Recalibration	Growth Capabilities
Momentum	Market Identity	Creating Partnerships	Investor Relations	Growth Process
Stakeholder Interests	Customers	Partners and Suppliers	Investors	Employees

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Research Purpose

While the development of the model represented an important addition to our understanding of the link between growth strategy and human capability, we believe that the effort is not complete unless that model is tested in some way. Therefore, we applied the model to research the human resource supports and barriers to implementing a growth strategy. The organization studied was a major pharmaceutical research center. This company had been experiencing phenomenal growth in revenue and profitability for a number of years. As a result, senior management set some very aggressive goals for the development of new products. In essence the organization wanted to double the number of drug candidates that were produced each year (typically 20 candidates result in one marketable product). As a result the research center was adding 50% to 100% more people, doubling the number of drug candidates, all while maintaining an industry leading success rate (as measured by scientists hours per candidate). The purpose of the Growth Audit for this organization was to clarify the critical issues associated with growth and to provide recommendations and direction for actions to effectively implement the growth strategy.

Research Methods

Sample

The sample for this study consisted of one Therapeutic Group (TG) within this pharmaceutical research center. The research center was organized into TGs associated with specific disease states. This TG was responsible for developing drug candidates for metabolic related conditions (cardiovascular, diabetes, obesity, osteoporosis, and atherosclerosis). The TG was headed by a Director and three Assistant Directors. Reporting to the Assistant Directors were 21 Lab Supervisors. Lab Supervisors are Ph.Ds. in biology that have ultimate responsibility for candidate production. Reporting to each Lab Supervisor is three to four Associates, Bachelors or Masters in biology or chemistry that assist the Lab Supervisors. In all there were 94 people in this TG. Of these 94, 86 actually participated in the study (91% participation). Participation was not 100% because of scheduling conflicts.

Procedures

The Growth Audit approach was a hybrid between an ethnographic scenario analysis procedure and a quantitative survey of values and assumptions. Similar to the "triangulation" approach advocated by Duncan (1989). Two principle methods of data collection were use in this study. First we conducted interviews with the Director and Assistant Directors. These interviews were then used to inform the design of a series of input group sessions, utilizing a group decision support tool (The Innovator® software) to allow us to combine qualitative and quantitative data. The process also employs an action research framework, where the research participants are active in analyzing and interpreting the results. The complete process is described below.

Step 1: Building the Specific Growth Audit Model. The Growth Audit model is somewhat generic. Therefore, consultants worked with a Steering Committee, consisting of 12 people representing all levels and groups within the TG, to customize the model. Most of the changes were cosmetic (e.g. changing "Marketplace" to "Growth Orientation") however, there were some, more substantive changes. For example, modifying the definition of competition to include competition with other TGs. These modifications occurred in a series of three focus group sessions. In general all of the elements of the model were seen as highly relevant to the TG. Adaptation of the Growth Audit model was seen as critical to achieving the TG's goals for the study.

Step 2: Conducting Executive Interview. The next step was to conduct interviews with the Director and Assistant Directors to obtain the executive perspective on each of the Growth Audit elements. The interview process started with a four hour overview of the Growth Audit model. This provided the executives with an opportunity to think about the issues before the interview. The next day one-on-one interviews were conducted. Each interview lasted about two hours. Two consultants were present during each interview and maintained independent records of the responses. These records were then compared and any discrepancies addressed.

Step 3: Synthesizing Interview Data into a Growth Narrative. Three consultants reviewed the interview records and identified principle content themes. The themes were consolidated and merged into a final list of content categories. Then the three consultants independently reviewed the interviews and categorized responses according to the content categories. While specific records of inter-rater reliability were not kept, there were very few discrepancies. Finally, these themes were synthesized into a Growth Narrative. This narrative was used within the input group sessions to communicate the intent of the growth strategy, the strategic choices facing the TG, and the human resources issues as perceived by the executive team. The Steering Committee reviewed the narrative to assure that it was relevant and meaningful to input group participants. A narrative script was developed to ensure consistent delivery of information across all input group sessions.

Step 4: Building the Input Group Session Template. The Growth Audit Model and the Growth Narrative were used to construct polling questions that were incorporated into an Innovator® software template. The Innovator software allowed participants to respond to a set of survey items, see the results of this survey immediately, and then discuss their opinions and concerns. The combined qualitative and quantitative analysis enabled us to enrich the findings and make cross group comparisons. The input group session template was first tested by the Steering Committee and revised prior to the actual employee sessions.

Step 5: Conducting Growth Audit Input Group Sessions. Nine input group sessions were conducted over a course of one month. Each session was introduced by the Director who set expectations. During the sessions, the Growth Narrative was read and the polling questions were voted on. The results of the polling were displayed on a projection screen and the consultants facilitated a discussion of the results. Discussions tended to focus on particularly salient or surprising results. Both consultants transcribed qualitative data from group discussions. Sessions concluded with an open-ended activity to solicit participant ideas regarding overall supports and barriers to growth. The group also ranked and discussed these ideas. In addition to the Growth Audit polling items, three demographic variables were also collected.

Analysis

The three consultants reviewed transcripts of the input group discussions, and principle themes were identified. Then two consultants independently reviewed each transcript a second time and categorized the responses by the content themes. The analyses of the consultants were compared and discrepancies resolved. While specific records of inter-rater reliability were not maintained, differences in content categorization were minimal. Input group survey items were examined using means and standard deviations.

Next, we examined the content themes to identify specific patterns that might reveal underlying causal factors illuminated by the model. This resulted in two outcomes. The first is a list of patterns predicted by the model and identified in the results, and second, it led to construction of a causal map of the growth supports and barriers. These will be discussed in the results section below.

Results

While a detailed discussion of the actual results is not possible here, we will illuminate specific findings that illustrate the utility of the Growth Audit Model. Specifically, we would like to discuss growth pattern recognition and causal maps that emerged from the findings.

Patterns Affecting Growth

Inherent in the Growth Audit Model is the hypothesis that opportunities for growth reside in examining the patterns across the four domains (Marketplace, Enterprise Network, Organization, and Individual). While each domain has its own unique dynamics, that doesn't mean that movement in one level does not influence the dynamics of another. Therefore, we looked for confirmation of these patterns in the results for the TG studied. We found three.

Cross Domain Conflicts. Expression of a specific growth strategy in one domain will send signals to other domains. These signals, if they are in conflict, should reveal potential barriers to implementation of the growth strategy. We found several examples of this. For example, analysis of the Marketplace Domain

revealed an increased need for greater business management skills on the part of Lab Supervisors. With the emergence of managed care organizations as principle customers it had become clear that drug development must acknowledge the implications of drug formularies. Unlike the past, new drugs that were just as good or even slightly better (fewer side-effects, more efficacious) would not make it on managed care formularies. Rather, the drug had to offer qualitative leaps in performance for a managed care organization to go to the expense of offering it. However, analysis at the Individual Domain revealed that the organization did not share this perspective on the need for business management skills. To the survey question "We have appropriate levels of business thinking skills" less than 20% disagreed. Discussion revealed that the majority of Lab Supervisors believed that this was the Directors responsibility and viewed the executive comments as efforts to "off-load" these activities onto the Lab Supervisors.

Dynamic specific levers. A third hypothesis generated by the model is that an organization's barriers to strategy implementation will cluster around specific Growth Dynamics across levels. This was partly supported in this research. We categorized the themes according to the Domain and the Dynamic and found that there was a critical barrier in all Domains relative to Permeability. This organization had a complete lack of competitive intelligence processes (Marketplace Permeability), has difficulty in creating an effective work relationships with strategic partnerships, principally bio-tech firms (Enterprise Network Permeability), expressed fear that their work culture was in jeopardy because of the rapid growth (Organization Permeability), and that growth was further devaluing the role of the Lab Associates who had limited opportunities for promotion or career development (Individual Permeability).

Momentum migration. Rapid growth is more easily obtained when there is a critical mass of stakeholders committed to the new strategy. While it is possible to create momentum, organizations can use the momentum from an existing critical mass to increase the speed of growth and change. Even when there is opportunity for growth, if the critical mass lags behind a corporate initiative, the initiative will inevitability stall because there is no momentum to change the current state. We found two critical examples of Momentum lagging behind the growth strategy. First, described earlier, was the unwillingness of the majority of Lab Supervisors to accept the need for taking a business perspective. Most Lab Supervisors were highly successful academic researchers who viewed "business issues" as beneath them. Lab Associates also represented a significant Momentum that could stall strategy implementation. Their satisfaction with the status quo was motivated mostly by the loss of a small, closely-knit, lab environment and concern over their career opportunities caused by the adoption of new technology that will reduce the interest value of the Lab Associate job.

Causal Maps

One of the intended outcomes of the Growth Audit Model is the ability to clarify the links between strategy and human capabilities. To this end, we examined the themes that emerged from the research to determine if they lead to any hypotheses concerning the causal relationship between strategy and human resource practices. We examined the data for statements of causality that linked two or more themes together. The result is the Causal Map below (see figure 2).

The map suggests that there is a link between the communication of strategy and the culture or behavioral practices seen within the organization. The links are moderated by the emotional impact (in the star box) created when the actions (the ovals) associated with the specific situation (boxes) are not meet. For example, with regard to Strategy, participants expected certain information to be communicated (priorities, the logic of the strategy, the vision, how alignment will be created). When these are not communicated, they create an emotional reaction (feelings of isolation, lack of clarity). These reactions impact employee's ability to support Implementation of the strategy.

Discussion

During the industrial age predictable linear growth was easily achieved. In the recent past growth was obtained through brute-force productivity improvements and cost reductions. As these begin to yield diminishing returns, organizations are abandoning the tools of the linear planning process. This new, non-linear planning process requires tools and methods that are substantially different from those used in the past.

This also means different approaches for human resource development. When strategic planning was more linear, human resource planning was easy but reactive. However, in an environment where planning is less linear and more iterative and systemic, HRD planning needs to play a central role in identifying supports and barriers to strategy implementation. HRD has long desired to play a more strategic role in organizational action. The Growth Audit case example illustrates one way to define HRD's role as a core element of strategy implementation.

This paper and research effort draws its inspiration from a set of real business issues facing an organization and it's human resource development capability. We believe that this is an important characteristic of model or theory development. There has been an tendency in our field to create increasing complex models of organizational behavior without concern for demonstrating the utility or predictive power of these models. While clearly this model needs further testing and validation, by using it to identify real world supports and barriers to growth we have demonstrated the potential value before presenting it as a model for other human resource development professionals to consider.

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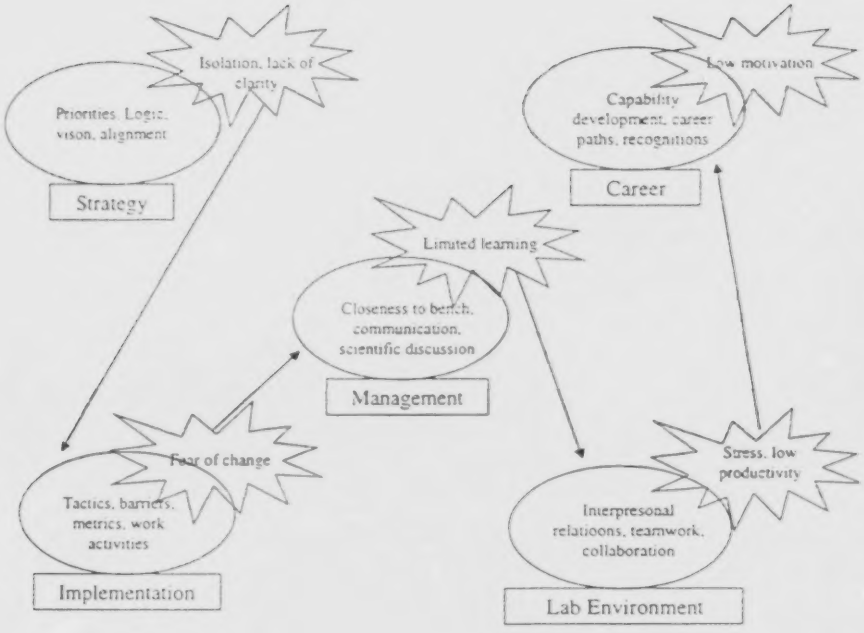
Figure 2: Growth audit causal map



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A Study of the Role of HRD in Response to External Environmental Change in Public Service Organizations.

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This study explores the role of HRD in response to external environmental change as a component of strategic human resource management-planning. The study population of public leisure service organizations represent an understudied yet common form of public service organization. Results show a high level of support for HRD activities highlighting the need for HRD researchers to concentrate efforts on developing frameworks that are of equal applicable in both large private and small public agencies.

Keywords: HRD Planning, Environmental Scanning, Public Agencies

Introduction

A recent awareness within both private and public organizations has been the recognition that human resources (HR) represent the most important asset of the organization (Nickell, 1995). Others stress that human resource management (HRM) determines the success or failure of an organization (Wright, McMahan & McWilliams, 1994). The role of human resource development (HRD) is now seen as a central component of competitiveness (Lengermann, 1996). As such, HRD practices must be aligned with the mission of the organization and changes occurring within the organization's external environment. The external environment is increasingly seen as an area warranting the attention of HRD managers (Greer, 1995).

There is wide spread agreement in both the popular and academic press that organizations now face increased pressure from their external environment (Lundy, 1994). Factors such as increased competition, new technologies, increasing levels of legal compliance, the beginning of the global marketplace, changes in social demographics and the workforce, a diversification of products and services as well as an increased responsibility to provide for the quality of life for employees greatly impact the environment in which organizations operate (Rothwell & Kazanas, 1994). Such change is likely to continue into the next century, with predictions that "the 21st century will be even more complex, fast paced, and turbulent" (Cascio, 1995, p. 928).

Problem Statement and Theoretical Framework

The need to plan for HRD and the need to envision a future state of an organization's HRD activities is commonly referred to in the literature (Rothwell & Kazanas, 1988). Few in the HRD profession question the importance of making HRD more future-oriented and giving HRD practitioners a role in formulating organization strategy (Torraco & Swanson, 1995). However, the development of a strategic approach to HRD appears a relatively recent development (Lee, 1997). Increasingly, short-term HR needs cannot be met by external labor markets, highlighting the role of HRD in the long-term demand of preparing people for assuming greater responsibility in achieving organizational strategies (Nadler & Wiggs, 1986).

There can be little doubt that strategic planning processes for HRM has increased in importance in both public and private organizations in recent years as evidenced by the wealth of literature (for example, Huselid, 1995; Wright & Snell, 1991). Environmental scanning, as a component of the strategic HRM model, helps identify, modify, and prioritize methods to pro-actively deal with the never-ending change in the world in which organizations operate. HRD plays an important role in the strategic HRM process.

Human capital theory has advocated the use of training to make employees more productive (Becker, 1975). Human capital theory states that the use of general training raises the skill, knowledge, and ability (KSA's) level of all employees in the industry whereas the use of specific training is seen as beneficial to a single employer (Lengermann, 1996). Therefore, HRD activities, as part of the strategic HRM process, have the potential to assist both an industry and individual organizations within the industry deal with external environmental change.

The vast majority of literature on environmental scanning for HRM and HRD has focused on large private organizations. Corporate America now recognizes the importance of aligning human resources with the changes

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occurring in the environmental external to the organization, yet little evidence is available to determine if public agencies engage in similar practices. In many small and medium-sized public organizations, HRD activities are not well developed. Similarly, little is known of the role of HRD in response to external environmental change in public agencies.

One form of public organization receiving very little HRD research is public parks, recreation and leisure service agencies. Public park, recreation, and leisure service departments provide a wide array of activities, programs, facilities, areas, and information. Local public leisure service organizations operate at the municipal, county, and special district level with each agency being organized and structured to meet specific community needs (Edginton, Jordan, DeGraaf, & Edginton, 1995). These organizations are seen as being an archetype of most small public agencies due to their small size and emphasis on administration of specific programs and activities requiring specialized training (Hamilton, 1995). For over 90 years, public agencies have been the most dominant delivery system for parks, leisure and recreation services (Sessoms, 1987). However, in recent years, public leisure service agencies have experienced massive transitions and increased pressures. This study seeks to incorporate the strategic human resource management model and human capital theory to investigate the contemporary external environmental challenges facing public leisure service organizations and the subsequent HRD response.

Research Questions

To examine the objectives of this applied research, the following questions were addressed:

1. Do directors of public leisure agencies believe that changes in the external environment will impact the HR employed?
2. Do directors anticipate that managerial action in the form of HRD activities will be required to reach organizational goals in the face of environmental changes?
3. Do managers plan common HRD activities in response to identified changes to aid in their planning of present and future HR needs?

Methodology

An instrument was developed based on existing literature for identifying trends in public park and recreation agencies (McKinney and Lowrey, 1987). Six external environment sectors were identified as being relevant to the management of public leisure agency operations. These sectors of the external environment were economic; demographic; political and legislative; technology; recreation programs; and parks, facilities, and natural resources. The resultant instrument was submitted to an expert panel of practitioners and academics to confirm face validity. These sectors were used to develop unstructured questions to elicit anticipated changes in the external environment and the possible impact of these changes on the HR employed. These questions followed a similar format to previous personnel planning instruments used to describe future trends and their possible effects on public and not-for-profit organizations.(Moore, 1986).

The sample consisted of executive directors (or equivalent title for the chief executive officer) of public park, recreation and leisure agencies in Illinois. This level was chosen because, ultimately all HRD activities must be approved by the executive director, requiring this individual to have both a present and future focus towards the HR employed. The sampling frame consisted of 289 public leisure agencies within the state of Illinois listed in the 1995-96 Illinois Association of Park Districts (IAPD) Membership Directory. From this list, a sample of 56 agencies was obtained using a stratified approach. The majority of public park and recreation agencies within the state are located in or near the city of Chicago. To avoid sample bias, the state of Illinois was divided into four areas based on IAPD Voting Zones with boundaries defined by county. A multi-staged sampling technique was used to select a representative number of agencies from each of the four areas with probabilities proportional to the number of agencies represented in each zone.

Data collection was conducted using an adaptation of the Salant & Dillman (1994) technique. By the closing date, a total of 46 usable surveys were returned for an 82% response rate. A combination of qualitative and quantitative data analysis techniques were used to evaluate the data. Qualitative data analysis focused on the identification of common themes using a reduction and interpretation approach as outlined by Marshall and Rossman (1989). Quantitative analysis used frequencies and descriptive statistics.

Results and Conclusions

All respondents identified a variety of external environmental changes anticipated to impact their agency over the next five to ten years. Wide spread agreement was found on issues related to the changes and challenges expected in the economic, demographic, political and legislative, and technology sectors of the external environment. Responses in the areas of recreation programs, and parks, facilities, and natural resources also show a high degree of agreement with seven common themes identified.

The emphasis of the study related to public leisure agencies' HRD responses to the identified changes. The provision of training was listed by 95% of respondents as the primary way to ensure that employee's posses the new knowledge, skills, and abilities (KSA's) needed in a dynamic changing external environment. The most frequently identified area for HRD activities was to increase computer skills (71%). The second most-reported response was the increased demand for employees to have specialist skills. Examples given by respondents included public relations, business management, and recreation programming (60%). Twenty six percent of respondents mentioned the need for HRD activities to develop employees with an increased level of communication skills. The need to provide language training so that staff can be bi-lingual to deal with an increasingly diverse client base was mentioned also 17% of the directors. The demand for HRD activities that encourage individual employees who have an interest in life-long or continuing education was mentioned by 12% of those responding. Training that gives employees the ability to form partnerships and work in a team environment was noted by only 10% of the directors. Other findings in this section of the survey included the desire for training and development programs that result in personnel with increased political skill and savvy.

Training has become a multi-billion dollar per year industry yet much confusion surrounds the range of appropriate activities to develop the desired KSA's of employees (Chachere & Martocchio, 1996). Training is widely acknowledged in the literature as the traditional approach to overcome shortcomings in the KSA's of employees (Rothwell & Kazanas, 1994). The range of HRD activities is enormous with Butler, Ferris, & Napier (1991) suggesting a classification framework based on time. This linear continuum of HRD commences with short-term training activities and carries onto long-term career planning (also known as employee education) which can be an ongoing process occurring through the employee's career (Rothwell & Kazanas, 1994).

The responses received in this study indicate that confusion surrounds the use and terminology of HRD activities within public park and recreation organizations. Among the 95% of agencies responding that additional training would be provided, many provided information as to the type of training intended for delivery. Many of these comments suggest activities that could be classified as employee development or career planning. In-house training programs were noted in 31% of the responses. This may suggest that a number of public leisure agencies perceive that their employees possess immediate gaps in the required KSA's for their current position. Career development programs were mentioned by 18% of directors indicating that they would be providing training. 24% of directors made reference to the provision of education opportunities for employee's which could be a reference to both short-term training and long-term employee development activities. This confusion of suitable HRD activities may result from the limited literature on the use of employee education in public agencies in general and in particular, within public leisure service organizations.

The choice to replace existing HR with the recruitment of new HR rather than invest in HRD activities was noted by more than 15% of those responding. Further probing to determine why agencies feel the need to replace existing staff would prove enlightening. Perhaps this raises problems in the recruitment, selection, and testing procedures of public leisure agencies. It may also be a reflection of past poor investments in training and development.

Implications for HRD Practice

This study investigates external influences on the planning and management of HRD activities in public leisure agencies within the state of Illinois. This study utilizes the external environmental scanning technique to identify likely changes, their possible impacts, and the HRD response to an understudied form of public organization. Small public organizations such as public leisure service agencies have been largely overlooked in the literature on determining HRD strategies. This study is of practical importance to leisure service managers to assist in future strategic HRD planning and development activities. The external environmental scanning process imbedded in the strategic HRD framework offers a potential model in which to gather information to guide HRD planning efforts.

This study has illustrated that public leisure service organizations are subject to many of the same external environmental pressures that other organizations face. The application of applied HRD to this sector of public service highlights the need to conduct research in a variety of organizational settings to further our knowledge of

training and development. This confirms the finding of an earlier related study in the public leisure service management field which suggested that, "there is always a need for staff training and development in park and recreation organizations" (McKinney & Lowrey, 1987 p. 1). As people demand more leisure services from their local park and recreation agency, the pressure on existing and future human resources to be suitably equipped with the required KSA's will increase. As the commitment and expenditure for training and development increases, it becomes vitally important to determine the most appropriate HRD activities for the employee, organization, and the publics they serve (Reyna & Sims, 1995). This study has highlighted the high level of support for HRD activities to prepare employees of public leisure organizations for future changes emanating from the external environment. It has also demonstrated a level of confusion surrounding the appropriate use of HRD activities within one type of public service organizations.

Further study is needed to understand the HRD function in small public agencies. Additional research on the uniqueness of small public organizations would be beneficial before HRD models developed in private organizations are universally applied. Sleezer and Sleezer (1997) have stated that the ultimate goal of HRD is to "support and improve individual, process, and organizational learning and performance" (p. 185). This applied research study has shown that HRD researchers should concentrate efforts on developing frameworks that are of equal assistance to the manager in a large private company as they are to the manger in a small public agencies.

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Operationalizing Alignment: Testing Alignment Theory

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This paper presents a theory-based operational definition of organizational alignment for the purposes of research. It includes an operationalization of the alignment construct and a description of an alignment measurement instrument.

Keywords: Alignment, Instrument

Many people who work with organizational performance for any length of time develop an intuitive understanding that the different components of an organization must be properly organized and balanced with each other for optimal performance (Rummler & Brache, 1990). This proper organization and balance between parts of the organizational system is called alignment.

Alignment is presumed to minimize conflict between the parts of the system, and to direct effort toward shared goals (Labovitz & Rosansky, 1997; Semler, 1997). Many people claim that alignment is important, even vital, for organizational success, but research has not produced any empirical data to support or refute these assertions. This limitation has manifested itself in the widely varying degrees of success that human resource development (HRD) practitioners have had increasing alignment in organizations for the purpose of improving performance (Bennett, Fadil, & Greenwood, 1994; Kerr, 1989; Kotter & Heskett, 1992; Labovitz & Rosansky, 1997). A better understanding of how alignment really works would aid both HRD research and practice by allowing us to separate fact from conjecture in our efforts to predict and improve performance.

Two of the prerequisites to empirical research are research constructs and measurement instruments that are based in the theory describing the phenomenon of interest. A search of many research and practical databases (ABI Inform, Alta Vista, CARL, ERIC, SocAbstracts, University of Minnesota LUMINA, all in 1998) produced few theory-based constructs of alignment, and no measurement instruments. This paper provides some further steps toward an operational definition, construct, and measurement instrument to make possible an empirical test of theory and practical assumptions about organizational alignment.

Theoretical Background

Different theories of strategic organizational alignment have been with us since the 1970's. Nadler and Tushman's (1989) insightful work on *congruence* conceived of the organization as an open system that was composed of interdependent inputs, process components, and outputs. The whole system functioned with greater or lesser effectiveness depending upon the degree of congruence, consistency, or fit between each pair of system components. Nadler and Tushman's congruence model of organization behavior was originally published in 1980 and adequately represents the core of nearly all later discussions of organizational alignment. Later research has offered additional information that expands the power of their theory and extends the concept of alignment into improved organizational change models.

Alignment is an essential component of most total quality management systems, as reflected by the Malcolm Baldrige National Quality Award (MBNQA) emphasis on alignment of business systems. Merron considers alignment to be a means to the goal of organizational quality performance, "Clarity and alignment among the five aspects of organizational life--purpose, objectives, strategy, structure, and culture--are key to the proper direction of the organization" (1994, p. 52). Labovitz and Rosansky add their own emphasis on the importance of alignment to these insights and quote Fred Smith of Federal Express as saying that "Alignment is the essence of management" (1997, p. 6).

As HRD research and practice have advanced, it has left behind earlier work on alignment. The McKinsey 7S Model and Galbraith's (1987) "Star Model" offered related models of organizational capability for competing in changing environments. These models presented the primary variables and noted the importance of alignment between them, but did not specify the relationships between variables. Instead, these models suggested merely that the variables were interdependent and that attending to and balancing the effects of each in the organizational design process would produce alignment, and thus performance. Alignment would ensure a greater degree of performance by increasing cooperation among different aspects of the organization's operating design.

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While models such as the 7S and Star Models could help organizations target areas for performance improvement, their assumption that strong alignment is desirable was not backed up with either theory or specific research. Some writers now question a basic premise of alignment—that increased alignment has a positive effect on performance—by suggesting that too much alignment might impair organizational flexibility and thereby decrease competitive performance (Kotter & Heskett, 1992). In this view, "over-alignment" could reduce openness to diversity of thinking and ideas and make the organization too rigid in response to changing conditions. There is no way of knowing whether this is correct until researchers can gather empirical data to test the proposition.

Semler (1997; 1998a; 1998b) has done the most recent theoretical work to attempt to define and describe alignment in terms that might would prove useful for research. At present, his is the only work available that defines the relationships between variables and specifies testable propositions of alignment theory. Semler's theory is based upon a synthesis and extension of the earlier work of others, such as Nadler and Tushman (1989), Rummler and Brache (1990), and Tichy (1983). It describes in detail several relationships between variables and theoretical propositions that could be tested through research (Figure 1).

According to Semler's theory, strategic alignment produces greater organizational performance through two mechanisms. First, alignment focuses the discretionary effort of organizational members on the goals of the organization. Second, alignment provides systems more conducive to pursuit of the selected strategic goals than to any other goals. Both of these intermediate outcomes influence essential determinants of performance. Discretionary effort strongly influences knowledge and motivation. Goals-conducive systems strongly influence individual and system capabilities.

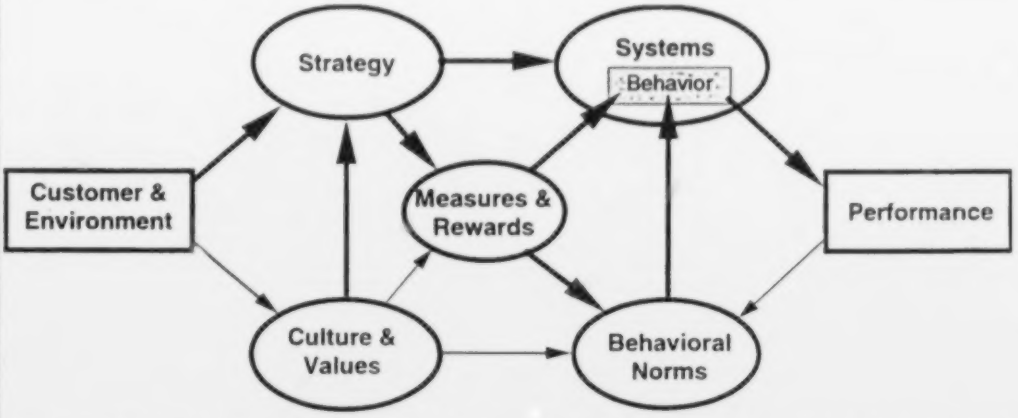

Figure 1. Strategic Alignment Model. The model shows the essential variables and their relationships. (Semler, 1998b, p. 6)

Semler also proposes that the effect of leadership is to increase the degree of agreement between variables in each of six dimensions of alignment. At any given point in time the states of agreement represented by the dimensions of alignment, taken as a whole, indicate the overall degree of strategic alignment of the organization. Increased agreement within a dimension of alignment increases the determinants of performance related to the dimension. Therefore, the greater the overall strategic alignment, the greater the performance determinants will be, and the greater the resultant organizational performance produced. The basis of Semler's theory is outlined below:

Theoretical Propositions of Alignment

1. There are sets of specific, observable behavioral indicators that describe alignment for each of the dimensions of alignment.
2. There are four determinants of organizational performance—knowledge, motivation, individual capability, and group or system capability.
3. The state of alignment in each dimension has a partial effect on the determinants of performance related to that dimension.

4. The combined effect of the dimensions' effect on the performance determinants determines the portion of organizational performance that is within the control of the organization.
5. Leadership affects the state of agreement between variables in the alignment dimensions. (Semler, 1998b, p.3)

These propositions make it possible to build an operational definition of alignment and an instrument to measure alignment at a point in time, based upon the behavioral indicators.

Alignment Construct

The alignment construct is composed of variables and the relationships between them. The variables in Semler's alignment model are the things that must have proper organization and balance in relationship to each other for optimal performance. The direction of influence in the specific relationships determines the theoretical "flow" of alignment that can be of use to practitioners seeking to intervene in the organization.

Variables.

Alignment is the degree of agreement *between* variables in the alignment construct, but not the individual variables themselves. The eight major variables pertaining to organizational alignment are:

1. *Customer and Environment* (independent variable) describes the context within which the organization's strategy, values, behavior, and performance occurs. It provides opportunities and limitations that influence the organization's freedom of action and definition of successful performance. Customer and market demands greatly influence organizational strategy (Labovitz & Rosansky, 1997; Pearce & Robinson, 1994).
2. *Strategy* (independent variable) is the set of rational goal states intended to place the organization in an advantageous position and/or configuration within its environment. Successful strategy depends upon an accurate assessment of internal and external conditions. Strategy includes vision, plans, and communication (strategy deployment) at all levels of the organization (Pearce & Robinson, 1994; Wall & Wall, 1995).
3. *Culture and Values* (independent variable) refer to a set of implicit and explicit preferences and judgments concerning what is qualitatively good, bad, desirable, or undesirable. Values are a component of organizational culture and will be shared, in greater or lesser part, by the majority of members of a culture. The culture will transmit values to new members and will maintain a sense of continuity of values over time (Kotter & Heskett, 1992; Schein, 1990). There is no explicit or implicit reward or penalty for holding a certain set of values, only for displaying behavior derived from values.
4. *Norms* (independent variable) are implicit cultural guidelines that influence behavior. They form standards that facilitate interaction between members of a culture, and have a strong influence on the range and frequency of behaviors that members of the culture will display. Norms, like values, are a component of organizational culture. They will be shared by the majority of members of a culture and will be transmitted over time (Bennett et al., 1994; Schein, 1990). Norms are distinct from values in that they do not necessarily represent preferences and judgements, but are linked to formal and informal rewards and penalities for behavior.
5. *Measures and Rewards* (independent variable) comprise the set of policies, procedures, pay and benefits scales, incentive programs, promotion and disciplinary systems, and interpersonal interactions that provide tangible or intangible incentives and disincentives to individual members, groups, and teams within the organization. Rationally designed reward systems are a formal part of the organizational structure that encourages or inhibits specific behaviors (Bechet & Walker, 1993; Britton & Ellis, 1994; Kerr, 1989).
6. *Systems* (independent variable) are the structural elements within the organization that move or transform resources (information, matter, and energy) to produce desired outputs. The systems variable includes core work processes, information systems and learning processes, financial and administrative control methods, and the structure of the organization. Systems are designed rationally to meet particular goals (Jacobs, 1989), but often stray from perfect rationality in operation. Many sub-systems will comprise a typical essential organizational process, and the most basic unit of analysis is the individual job. From the smallest filing process to the organizational system as a whole, systems form the rational structure of the organization (Juran, 1992; Rummler & Brache, 1995).
7. *Behavior* (mediator variable) is the observable activity of individual and group actors within the organizational system. Any given behavior is directed toward one or more goals of the actor, which may or

may not contribute or be intended to contribute to achievement of the strategic goals (Campbell, McCloy, Oppler, and Sager, 1993).

8. *Performance* (dependent variable) is the collective output of individual and group behavior in the organization as moderated by the capability of organizational systems. Conceptually, organizational or system performance can be represented by the formula (*affect x behavior x cognition x system capability*) directed toward a specific result (Campbell et al., 1993). These determinants of performance manifest in a weighted set of organizational performance indicators. The specific indicators are determined by each organization and define performance that organization alone. Each indicator falls within one of seven categories suggested by Sink, Tuttle, and DeVries.

> Performance of an organizational system (i.e., a work group, cost or profit center, division, function, plant, firm, etc.) is comprised of at least seven criteria. These are: effectiveness, efficiency, quality, productivity, quality of work life, innovation, and profitability/ budgetability (Sink, Tuttle, & DeVries, 1984, p. 267).

Sink, Tuttle, and DeVries' definition of performance allows the flexibility for each organization to determine what specific outcomes are important to its unique goals, environment, and "personality." This offers an interpretive measure that is not generalizable with standard statistical algorithms, but that provides richness for practitioners. The concept mirrors the "Balanced Scorecard" approach, however, and can provide a good basis for a more objective set of performance indicators.

Relationships.

Alignment does not refer to any one variable alone, but instead to the relationship between pairs of variables. The degree of agreement or congruence between variables defines alignment. The variables alone do not have meaning in terms of alignment. The following table shows the variable pairs that relate to alignment.

The leading variable...		... directs the receiving variable
Customer & Environment	⇒	Strategy (goals)
Organizational Values	⇒	Strategy (goals)
Strategy	⇒	Rewards
Strategy	⇒	Systems/Structure (overall purpose)
Strategy (goals)	⇒	Strategy (deployment)
Systems (overall purpose)	⇒	Systems (components)

Alignment theory refers to each variable pair as a dimension of alignment (Semler, 1998a). For each dimension, the *leading variable* is the one that ideally determines the state of the other, labeled the *receiving variable*. Although both variables are theoretically interdependent (Galbraith, 1987; Semler, 1997), the system characteristics of the leading variable give it more influence over the receiving variable (Boulding, 1956). Each of the receiving variables can be hierarchically nested within the scope of its leading variable.

This plays itself out in the ease with which one variable can affect the other. For example, it is easier to select a strategy that will meet the constraints of the customer and market environment than it is to change the environment itself. This is because the environment has higher system characteristics into which the organization's strategy is nested. Thus, the customer and market environment is the leading variable and the strategy is the receiving variable.

The interactions between leading and receiving variables manifest as specific organizational behaviors that people within the organization can observe. For example, within the *customer & environment ⇒ strategy (goals)* dimension, one specific, observable interaction might be the degree to which the strategy (receiving variable) reflects information about the customers (leading variable). An interaction in which the receiving variable is determined by the leading variable is labelled a *correct interaction*.

Operational definition of alignment.

The operational definition of the alignment construct is the frequency of correct interactions in which the leading variable determines the state of the receiving variable. For the purposes of research, this could be measured by the frequency of correct interactions in each dimension of alignment that subjects report on an instrument that describes the behavioral indicators of alignment.

Measuring Alignment

This operational definition of alignment allows us to create an instrument to measure alignment. The instrument presented here in abridged form measures the degree of alignment between the variables in each alignment dimension using a 48-item questionnaire (Appendix 1). The degree of alignment for each measurement dimension is expressed as incidence of observed organizational behavior on a 1-5 scale. A researcher could add additional dependent variable measures of performance to the questionnaire, or might collect objective data from other sources.

Each questionnaire item reflects a behavioral indicator predicted by the alignment theory. The scale is constructed to match high ratings with indicators that the theory predicts would be present in a strongly aligned organization. Each set of items provides a picture of the state of its corresponding alignment dimension at a point in time within the organization, as defined by the perception of the respondents.

The author began the validation and reliability assessment process for the alignment instrument in mid-1998. This was not complete at the time of publication. Validation is to be determined by expert panel review for face and construct validity. A single-organization assessment of test-retest reliability will follow the expert panel review process. The limitations of a self-report, volunteer, perception-based instrument are obvious, and acknowledged. This author proposes that the benefit of having a theory-based instrument that measures perceptions of alignment is, for the present, better than the alternative of having no instrument at all.

Analyzing Alignment Data

The research instrument presented here can provide several types of data.

1. A mean score for each questionnaire item from among the respondents for the subject organization,
2. A mean composite score for the alignment dimension, as above, and
3. A mean composite score for the overall alignment of the organization.
4.

With a research sample of satisfactory size and a set of dependent variable measures, these data make it possible to determine the correlation between the items, dimensions, and overall alignment and the organizational performance results. A researcher could analyze the results with linear regression, discriminant factor analysis, or other related statistical technique.

The statistical analysis could determine the partial contributions of each dimension of alignment to the measures of organizational performance. This type of data set would also permit the researcher to calculate item intercorrelations between organizations. Intercorrelations would conceivably demonstrate the degree to which alignment dimensions make the same relative contribution to performance in different organizations.

Summary

Organizational alignment represents the systematic agreement between the different major elements of organizational life. Alignment theories do not presuppose that alignment is the only important predictor of organizational performance, or that overall organizational success can be explained by alignment alone. They do suggest that an organization that aligns its strategy with its values and customer imperatives and that then aligns all of its systems and activities to support its strategy will be most effective.

Until we can measure and examine alignment, however, this is all just conjecture. We do not really know what effect alignment has on performance, or what interventions might improve alignment. HRD professionals have the responsibility to improve performance and enhance learning at the organizational level. If alignment represents the collective power of people focused on the "Main Thing" for their organization, HRD should be able to identify and facilitate that power. We may be able to affect alignment and it may be sound route to learning and performance, but we will not know for certain until empirical research offers some results.

The first step toward more effective intervention strategies is reflective practice and research. In order for research to increase our understanding of organizational life, the researchers must have tools with which to measure the obejcts of interest. Only when something can be accurately measured can we make sound comparisons from specifics to general cases. Only when we can explore reasonable generalizations can we predict well enough to make informed decisions to guide practice. In the end, effective practice will benefit from an increased understanding of alignment.

This operational definition of alignment and the measurement instrument offer some first steps toward empirical data. By specifying how alignment affects the determinants of performance, the alignment construct makes the link between alignment and performance easier to test. The leading and receiving relationship in each alignment dimension should provide guidance to researchers and practitioners. In addition, the behavioral indicators for the alignment definitions should provide some clear examples of how one might observe the state of alignment within the organizational context. When considered and tested within a theory-based study, researchers can use these tools to increase our understanding of alignment.

The benefit of an increased understanding of how alignment works is that practitioners can more easily and confidently design and implement interventions that take alignment into account. Theoretically, by improving alignment they can have a greater degree of confidence that actual performance improvement will result. There is a possibility, however, that alignment is not worth bothering about. Until we can get accurate data and test our assumptions, we will not be able to know.

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Appendix 1. Alignment Measurement Instrument (abridged)

Assessment Rating Scale

The numbered statements below describe things that you may have observed in your organization. Rate each statement according to how much it describes your organization, using the following 1-5 scale.

5 = to a very great extent
4 = to a great extent
3 = to some extent
2 = to a little extent
1 = not at all
NA = I don't know or have not observed this

Customer & Environment ⇒ Strategy Alignment

Dimension Definition: Characteristics, processes, and practices that make the organization's strategy most likely to succeed within its market by meeting or exceeding the expectations of its customers.

1. Our strategy is based upon valid and reliable information about our customers and market environment.
2. Our strategy takes recent industry trends and developments into account.
3. Our strategy is based upon the needs and wants of our current and future customers.
4. Our strategy clearly shows how we will meet or exceed our customers' expectations.
5. We plan to use our existing strengths to move toward strategic goals.
6. Our strategy is designed to build our capability for the future.
7. Our strategy includes plans to develop or acquire the organizational capabilities we will need to keep up with or lead the market.
8. Our strategy includes features that will help us to respond rapidly to changing competitive conditions and customer demands.

Organizational Values ⇒ Strategy Alignment

Dimension Definition: Characteristics, processes, and practices that make the organization's strategy most likely to be accepted by its members by incorporating their values, hopes, beliefs, and aspirations.

9. Our strategy offers employees at all levels something more to strive for than a paycheck.
10. Our strategy balances the requirements of our customers and market environment with the existing values of the organization.
11. Our strategy honors and reflects the values of everyone in the organization.
12. Our values support the kind of things that our strategy requires for success.
13. Our strategic goals are based upon the core values and shared purpose of the organization.
14. Our strategy inspires commitment by appealing to employees' values.
15. Our strategy inspires action by appealing to employees' values.
16. Our leadership considered our organizational culture and values as they developed the strategy.

Strategy ⇒ Rewards Alignment

Dimension Definition: Characteristics, processes, and practices that provide formal and informal incentives to behave in ways that support achievement of the organizational strategy. These include performance management systems, promotion and compensation systems, and how much attention managers and executives pay to information and people.

17. Our promotion system rewards those who help the organization achieve its strategic goals.
18. Our compensation system rewards those who help the organization achieve its strategic goals.
19. The way we assign work or projects rewards those who help the organization achieve its strategic goals.
20. Each person has important incentives to work toward our organization's strategic goals.
21. Our reward and incentive structure supports the things we need to do to achieve our strategic goals.
22. Work or projects that contribute the most to the strategic goals get the most attention.

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23. Our system of reports, progress reviews, and inspections focuses the most on the things that are most important to our strategic goals.
24. Our performance review results are linked to how well we support the strategic goals.

Strategy ⇒ Systems/Structure Alignment

Dimension Definition: Characteristics, processes, and practices that make all elements of the organization work in cooperation to achieve strategic goals and objectives. This includes organizational structure, work and decision processes, information flows, and development of capabilities.

25. Our processes, procedures, and systems were designed to help us achieve our strategic goals.
26. Our different departments, groups, and teams are organized in a way that makes sense for our strategy.
27. We routinely identify and remove barriers to achievement of strategic goals.
28. Our teams and departments work toward common goals, and not at cross-purposes.
29. Our processes and systems keep us focused on our strategic goals.
30. Our human resource, finance, and equipment acquisition activities are focused on efforts that will help us achieve our strategy.
31. Our information collection and distribution systems help us make decisions that support our strategic goals.
32. Our budgets reflect our strategic priorities.

Within Strategy Alignment (goals ⇒ deployment)

Dimension Definition: Characteristics, processes, and practices that make sure that the strategy is known, accepted, and supported by subgoals that contribute to achievement of the strategic goals at every level of the organization.

33. Department and team goals contribute directly to our strategic goals.
34. People seem to understand the direction and goals of the organization.
35. People get feedback about the organization's progress toward strategic goals.
36. Leaders frequently communicate with employees about where the organization is headed and how they can help achieve the goals.
37. Each team or department has action-oriented goals that support the overall strategy.
38. People understand how their work will help the organization achieve its strategic goals.
39. Leaders spend most of their time working on tasks that are important to the strategy.
40. People understand the strategy well enough that they can work toward its intent even when there is no clear direction.

Within Systems Alignment (overall purpose ⇒ components)

Dimension Definition: Characteristics, processes, and practices that make sure that key systems, processes, and activities are supported by component systems, processes, and activities that contribute to achievement of the strategic goals at every level of the organization.

41. The day to day details of our jobs and processes work together efficiently to support our strategy.
42. When we spend money on people, equipment, or process improvement, we make sure that the activity supports our strategic goals.
43. We can do our work without conflicts between work processes, systems, or departments.
44. Each process or system we have has a clear purpose.
45. Each system or process does what it is supposed to do efficiently.
46. Our jobs are designed so that everyone can help the organization achieve its strategic goals by doing his or her regular job.
47. Our systems and processes are flexible enough to respond to change.
48. Teams and departments in the organization work together without competition.

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